

Testimony before the Rules Committee  
**Chairman Michael G. Oxley**  
Committee on Financial Services  
H.R. 3210, The Terrorism Risk Protection Act

November 28, 2001

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Thank you Chairman Dreier, Ranking Member Frost, and members of the Committee for this opportunity to testify before you on legislation that is critically necessary to bolster our nation's economy in the wake of the September 11 terrorist attacks.

I come before you today in strong support of H.R. 3210, the Terrorism Risk Protection Act. H.R. 3210 will create a temporary industry risk-spreading program to ensure the continued availability of commercial property and casualty insurance and reinsurance for American consumers. I introduced this legislation, along with my good friend from Louisiana, Richard Baker, and 34 other cosponsors. This bipartisan legislation provides a federal backstop, not a bailout, for the commercial insurance industry.

The most distinctive, and I would argue the most important, feature of H.R. 3210 requires insurers to pay back, over time, federal assistance provided through the program. A strong insurance industry benefits the entire nation. But ultimately, the primary beneficiaries of any federal subsidies are the commercial insurers and insureds. These are the entities that should bear the brunt of the costs, not the American taxpayer.

I am pleased that Democrats on both the Financial Services Committee and the Ways & Means Committee are original cosponsors of H.R. 3210 and that the legislation was overwhelmingly passed out of the Committee on Financial Services by voice vote. We have continued working closely with our Democratic colleagues since the markup, and many of the additional perfections since Committee consideration have been made in large part due to their contributions.

The primary substantive change we are recommending is to speed up industry assessments following a terrorist event, with up to \$5 billion assessed immediately upon an event in year 1, and, if the program is extended, up to \$10 billion in years 2 or 3. In determining assessments and surcharges, we also directed the Treasury Secretary to take into account the impact on rural areas and small commercial centers, as well as on various specific lines of commercial insurance. Finally, we have added a per event deductible of \$5 million per company to avoid triggering federal assistance for de minimis amounts, and included civil penalties for insurers that submit false data or fail to pay assessed amounts.

Mr. Chairman, the terrorist attack of September 11 was intended not only to attack America, but to undermine the strength of this nation's financial foundations.

Approximately 70 percent of commercial insurance policies are up for renewal in the next 35 days. No one knows exactly how the markets will respond. But we have received testimony from numerous parties that without legislation, commercial insurers will be unwilling to provide significant terrorism coverage, and many consumers will be unable to get commercial coverage at all. Banks may refuse to commit capital to high-risk entities, and there could be a noticeable drag on the economy as a result.

We can't predict this with certainty, and we are confident that the market will quickly evolve to address this crisis. But it will most likely take more than 35 days for the market to adapt, resulting in exactly the economic disruption that the terrorists hoped for. We cannot allow this risk.

H.R. 3210 creates the greatest incentive of any proposal considered for insurers to continue providing terrorism coverage, and it provides certainty and solvency protection necessary for the continued operation of the financial markets. However, unlike the industry bailout proposals from other quarters, we are not guaranteeing the profitability of commercial insurers, and we are refusing to open the wallets of the taxpayers to provide free money for one particular impacted industry. By voting for H.R. 3210 on the floor tomorrow, we are sending a clear message that the House is not willing to be put in the position of having to consider future tax increases to pay for an industry bailout subsidy.

We have received endorsements for our approach from consumer groups as diverse as the Consumer Federation of America, Americans for Tax Reform, and Citizens Against Government Waste. It is sound pro-taxpayer, pro-consumer, pro-industry legislation, and it is critical we move forward and get H.R. 3210 to the President by the end of this year.

Therefore, Mr. Chairman, I am requesting a rule that grants one hour of general debate to be equally divided between Mr. LaFalce and myself, and an opportunity for a Democratic substitute. I think this is a fair rule that gives the minority the opportunity to have the House consider those areas where we may have a difference of opinion.

Thank you Mr. Chairman.

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